

Message Text

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45

ACTION EB-11

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R 041202Z JUN 74

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5581

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

USMISSION NATO

UNCLAS VALLETTA 0979

E.O. 11652: N/A

TAGS: ENRG, MT

SUBJ: ENERGY DETAILS TEXACO-GOM AGREEMENT

REF: VALLETTA 973

PASS INTERIOR

1. IN STATEMENT TO PARLIAMENT JUNE 3 PM MINTOFF GAVE
FOLLOWING DETAILS OFFSHORE OIL EXPLORATION AGREEMENT SIGNED
WITH TEXACO MALTA INC. MAY31.

2. "AFTER CAREFUL CONSIDERATION OF TENDERS, WITH HELP
OF UN EXPERTS, DR. PACHACHI AND
INTERNATIONALLY WELL KNOWN NORWEGIAN FIRM, SVEN ARNTZEN,
ANDREAS ARNTZEN, JENS BUGGE AND ULF UNDERLAND, LAWYERS,
THE LABOR GOVERNMENT DECIDED THAT BEST TENDER FOR PART OF
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BLOCKS OPENED FOR APPLICATIONS, WAS THAT OF TEXACO

INTERNATIONAL PETROLEUM COMPANY."

"DISCUSSIONS WERE STARTED TO IMPROVE TEXACO OFFER
ACCORDING TO WILL OF GOM.

"AGREEMENT WAS REACHED LAST WEEK AND TEXACO
ACCEPTED FOLLOWING CONDITIONS:

A. THAT ON GRANTING OF LICENSE COMPANY WILL PAY
GOM SUM OF 10 MILLION DOLLARS; ABOUT 4 MILLION MALTA POUNDS;

B. THAT ANNUAL RENTAL OF 14,950 MALTA POUNDS WILL
BE PAID IN ADVANCE WITH LICENSE;

C. THAT TEXACO WILL PAY IN SCHOLARSHIPS ADMINISTERED
BY MALTESE MINISTER OF EDUCATION SUM OF 20,000 DOLLARS.
SUM WILL GO ON BEING PAID YEARLY FOR DURATION OF LICENSE;

D. TEXACO BOUND THEMSELVES TO SPEND WITHIN SIX MONTHS
THE SUM OF ONE MILLION DOLLARS IN FEASIBILITY STUDIES FOR
SELECTION OF BEST ENGINEERING PRODUCTS THAT MAY BECOME
AVAILABLE FROM ESTABLISHMENT OF NEW INDUSTRIES IN MALTA.
AFTER THIS TIME TEXACO ALSO BOUND THEMSELVES TO SPEND
ANOTHER TWO MILLION DOLLARS IN TWO AND ONE HALF YEARS IN
INDUSTRY FOUND SUITABLE FOR THE COUNTRY. IF AFTER THESE
THREE YEARS THEY HAVE NOT GIVEN UP LICENSE, TEXACO
BOUND ITSELF TO INVEST IN THIS INDUSTRY ANOTHER SIX MILLION
DOLLARS. THE GOVERNMENT, ON THEIR SIDE, RETAINED RIGHT
IF THIS INDUSTRY REQUIRED AN INVESTMENT OF MORE THAN
NINE MILLION DOLLARS, GOM WOULD INVEST SUM OF NOT
MORE THAN NINE MILLION DOLLARS. GOM'S SHARE WILL BE
PROPORTIONATE TO THIS SUM;

E. THAT AS SOON AS OIL IS FOUND, COMPANY NEED PAY
GOM PRODUCTION BONUSES ONCE ONLY, RISING ACCORDING
TO PRODUCTION.

"WHEN PRODUCTION REACHES: 500,000 BARRELS A DAY,
BONUS WILL BE 1.5 MILLION DOLLARS; 100,000 BARRELS A DAY
--2 MILLION DOLLARS AND 200,000 BARRELS A DAY --3 MILLION
DOLLARS.

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"THIS MEANS THAT MALTA WILL HAVE GAINED THE SUM OF
NINE MILLION DOLLARS IF PRODUCTION EVER REACHES 200,000
BARRELS A DAY.

F. TEXACO BOUND ITSELF TO GIVE GOM A SHARE IN
COMPANY IF AND WHEN OIL IS FOUND. PEOPLE OF MALTA,
THROUGH THEIR GOVERNMENT, WILL HAVE RIGHT TO ACQUIRE

FIVE PERCENT OF SHARES OF COMPANY WHEN OIL PRODUCTION BEGINS. THIS RIGHT OF PEOPLE OF MALTA WILL GO UP TO A 15 1/2 PERCENT SHARE IN THE COMPANY WHEN PRODUCTION REACHES 50,000 BARRELS A DAY 30 PERCENT WHEN IT IS 100,000 BARRELS A DAY AND HALF THE COMPANY WHEN PRODUCTION REACHES 200,000 BARRELS A DAY. THIS MEANS THAT IF OIL IS NOT FOUND ALL EXPENSES ARE PAYABLE BY TEXACO;

G. THAT WHEN OIL IS FOUND THE COMPANY WILL PAY GOM HALF ITS PROFIT BY WAY OF TAX. THERE WILL ALSO BE A ROYALTY ON THE MODERN CONCEPT OF THE POSTED PRICE. ROYALTY WILL BE EQUIVALENT TO 12 1/2 PERCENT OF VALUE OF OIL ACCORDING TO POSTED PRICE. NATURALLY ROYALTY WILL BE EXPENSED BEFORE ABOVE MENTIONED PROFIT IS WORKED OUT BUT IS NOT DIRECTLY DEDUCTABLE FROM HALF THE PROFIT DUE GOM. ON THEIR SIDE TEXACO HAVE RIGHT TO DRILL FOR OIL IN BLOCK NOS. 2,3,4, AND 9 COMPROMISING AREA OF ABOUT 3,7000 SQUARE KILOMETERS."

3. COMMENTS TO FOLLOW.GETZ

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